

## Message Text

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64

ORIGIN EA-14

INFO OCT-01 ADP-00 COME-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 PRS-01

SS-15 NSC-10 L-03 H-03 EB-11 OMB-01 TRSE-00 AGR-20

SIL-01 LAB-06 INT-08 /108 R

DRAFTED BY EA/ROC:MEMCDONNELL:JW

7/18/73 X21321

APPROVED BY EA/ROC:MEMCDONNELL

COMMERCE:UNDER SECRETARY'S OFF

COMMERCE:OPA:MR. LITTON

MR. YASINSKY

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O R 182109Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL IMMEDIATE

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

UNCLAS STATE 141112

E.O. 11652:N/A

TAGS: US, ECON

FOR SECRETARY DENT

PHASE IV OF ECONOMIC STABILIZATION PROGRAM ANNOUNCED JULY

18. FOLLOWING IS WHITE HOUSE SUMMARY.

QUOTE: JULY 18, 1973; OFFICE OF THE WHITE HOUSE PRESS

SECRETARY; THE WHITE HOUSE; FACT SHEET SUMMARY; ECONOMIC

STABILIZATION PROGRAM; PHASE IV

OBJECTIVE

TO MODERATE THE RATE OF INFLATION EXISTING DURING FIRST

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SIX MONTHS OF 1973 WITH MINIMUM ADVERSE EFFECT ON SUPPLY.

DESIGN

PHASE IV IS MANDATORY, COVERS MOST SECTORS OF THE ECONOMY, REQUIRES PRENOTIFICATION AND RESTRICTS PRICE INCREASES TO DOLLAR-FOR-DOLLAR PASS-THROUGH OF COSTS.

FREEZE PRICES REMAIN IN EFFECT UNTIL AUGUST 12 IN ALL SECTORS, EXCEPT FOOD AND HEALTH WHICH HAVE SPECIAL RULES EFFECTIVE IMMEDIATELY.

PROPOSED RULES FOR NON-FOOD SECTORS WILL BE EFFECTIVE AUGUST 12 AND ARE BEING ISSUED FOR COMMENT. COMMENTS REQUIRED BY JULY 31.

CONTINUES WAGE AND BENEFIT GUIDELINES IN EFFECT DURING PHASE II AND III.

EXEMPTS ON AUGUST 12 SMALL BUSINESSES (60 EMPLOYEES OR FEWER), PUBLIC UTILITY RATES, INTEREST RATES AND RENTS, WAGES AND PRICES IN LUMBER AND PLYWOOD.

ESTABLISHES PROCEDURES TO CONSIDER DECONTROL INDUSTRY BY INDUSTRY.

#### FOOD SECTOR

PHASE IV PRICE REGULATIONS ON FOOD ARE DIVIDED INTO TWO STAGES, STAGE A AND STAGE B.

STAGE A (EFFECTIVE IMMEDIATELY)

-- CEILING PRICES ON BEEF CONTINUED.

-- ALL OTHER FOOD PRICES MAY BE INCREASED ONLY TO REFLECT RAW AGRICULTURAL COST INCREASES SINCE JUNE 8 ON DOLLAR-FOR-DOLLAR BASIS.

STAGE B (EFFECTIVE SEPTEMBER 12)

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-- CEILING PRICES ON BEEF TERMINATED.

-- MANUFACTURERS AND PROCESSORS ALLOWED TO PASS THROUGH ALL COST INCREASES ON A DOLLAR-FOR-DOLLAR BASIS.

-- OTHER ASPECTS OF FOOD REGULATIONS TO BE SIMILAR TO CONTROLS FOR INDUSTRIAL, SERVICE, WHOLESALE AND RETAIL SECTORS.

#### INDUSTRIAL AND SERVICE SECTOR

PRICES REMAIN FROZEN UNTIL AUGUST 12 AT WHICH TIME  
PHASE IV REGULATIONS BECOME EFFECTIVE.

REGULATIONS TO BE ISSUED JULY 19 FOR PUBLIC COMMENT.  
THESE REGULATIONS WILL:

- REQUIRE COMPANIES WITH ANNUAL SALES OF MORE THAN  
\$100 MILLION TO GIVE THE COST OF LIVING COUNCIL  
30 DAYS PRENOTIFICATION BEFORE PRICE INCREASES MAY  
GO INTO EFFECT.
- REQUIRE COMPANIES WITH SALES OVER \$50 MILLION TO  
FILE QUARTERLY REPORTS.
- REQUIRE COMPANIES WITH SALES OF LESS THAN \$50  
MILLION BUT OVER 60 EMPLOYEES TO FILE AN ANNUAL  
REPORT.
- ESTABLISH A NEW BASE PERIOD FOR PRICE INCREASES  
AND COST JUSTIFICATION -- THE LAST FISCAL QUARTER  
ENDING BEFORE JANUARY 11, 1973. COSTS INCURRED  
PRIOR TO THE NEW PHASE IV BASE PERIOD ARE NOT  
ALLOWED AS JUSTIFICATION FOR HIGHER PRICES.
- PERMIT COSTS TO BE PASSED THROUGH ONLY ON A DOLLAR-  
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FOR-DOLLAR BASIS.

- CONTINUE THE PROFIT MARGIN LIMITATIONS.

#### NON-FOOD RETAIL AND WHOLESALE SECTOR

PRICES REMAIN FROZEN UNTIL AUGUST 12 AT WHICH TIME  
PHASE IV REGULATIONS BECOME EFFECTIVE.

REGULATIONS TO BE ISSUED JULY 19 FOR PUBLIC COMMENT.  
THESE REGULATIONS WILL REQUIRE:

- PREAPPROVAL BY THE COST OF LIVING COUNCIL OF  
PRICING PLANS BASED ON MERCHANDISE CATEGORIES FOR  
COMPANIES WITH SALES OVER \$50 MILLION.
- GROSS MARGIN CONTROLS ON THESE CATEGORIES.
- CONTINUATION OF PROFIT MARGIN LIMITATION.

#### PETROLEUM SECTOR

PRICES REMAIN FROZEN UNTIL AUGUST 12 AT WHICH TIME  
PHASE IV REGULATIONS BECOME EFFECTIVE.

REGULATIONS TO BE ISSUED JULY 19 FOR PUBLIC COMMENT.  
THESE REGULATIONS WILL PROVIDE:

- PRICE CEILINGS FOR GASOLINE, HEATING OIL AND DIESEL FUEL. THE CEILING PRICE IS COMPUTED AS THE SELLER'S ACTUAL COST OF THE PRODUCT PLUS THE DOLLAR AND CENTS MARKUP APPLIED TO A RETAIL SALE OF THE SAME PRODUCT ON JANUARY 10, 1973.
- A CEILING PRICE FOR CRUDE OIL.
- INCREASED CRUDE PRODUCTION AND EQUIVALENT AMOUNT OF OLD OIL TO BE EXEMPTED.

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- CEILING PRICES AND OCTANE RATINGS TO BE POSTED ON EACH GASOLINE PUMP.

#### REGULATIONS FOR SPECIAL SECTORS

THE HEALTH SERVICE INDUSTRY IS TO BE REMOVED FROM THE FREEZE IMMEDIATELY AND RETURNED TO THE MANDATORY PHASE III CONTROLS.

PROPOSED REGULATIONS FOR THE INSURANCE INDUSTRY TO BE ISSUED ON JULY 19 FOR PUBLIC COMMENT. THE NEW REGULATIONS WILL GO INTO EFFECT AUGUST 12. UNTIL THEN THE FREEZE REMAINS IN EFFECT.

#### WAGES

THE GENERAL WAGE AND BENEFIT STANDARDS OF PHASE II AND PHASE III WILL BE RETAINED. MORE DETAILED INFORMATION FOR REPORTING WAGE AND BENEFIT INCREASES WILL BE REQUIRED.

NOTIFICATION OF WAGE AND BENEFIT INCREASES BY THE LARGEST BARGAINING UNITS WILL BE CONTINUED TO BE REQUIRED. PRENOTIFICATION WILL BE REQUIRED IN INDIVIDUAL CASES.

A NEW ORGANIZATIONAL COMPONENT OF THE COST OF LIVING COUNCIL HAS BEEN ESTABLISHED TO REVIEW WAGE AND SALARY AND BENEFIT INCREASES IN THE STATE AND LOCAL GOVERNMENT SECTOR.

END QUOTE.

FOLLOWING COMPARISON OF PHASES II, III AND IV WAS PROVIDED AS ATTACHMENT TO ABOVE SUMMARY:

COMPARISON OF PHASES

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PHASE II

INDUSTRIAL SECTOR

PRICE ADJUSTMENTS

COST PASS THROUGH FULL, PROFIT MARGIN MAINTENANCE

COST REACHBACK LAST PRICE INCREASE OR  
JANUARY 1, 1971

PROFIT MARGIN BEST 2 OF 3 FISCAL YEARS  
BEFORE AUGUST 15, 1971.

BASE PRICE HIGHEST PRICE ABOVE WHICH  
10 OF THE UNITS WERE  
CHARGES FROM 30 DAYS PRIOR  
TO AUGUST 16, 1971 TO NOV.  
13, 1971.

PROCEDURES AND COVERAGE

PRENOTIFICATION REQUIRED OF ALL FIRMS OVER  
\$100M ANNUAL SALES; 30 DAYS  
BEFORE IMPLEMENTATION; APPROVAL REQUIRED

EXCEPTIONS CRITERIA GROSS HARDSHIP OR INEQUITY

REPORTING QUARTERLY FOR FIRMS OVER  
\$50M ANNUAL SALES

SMALL FIRM EXEMPTION 60 EMPLOYEES OR FEWER

OTHER SECTORS

FOOD GENERAL STANDARD  
PETROLEUM GENERAL STANDARD  
PETROLEUM GENERAL STANDARD  
INSURANCE SPECIAL REGULATIONS  
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PUBLIC UTILITIES MANDATORY CERTIFICATION OF  
REGULATORY BODIES

HEALTH SPECIAL REGULATIONS  
RENT SPECIAL REGULATIONS

COMPARISON OF PHASES

PHASE III

PHASE III

INDUSTRIAL SECTOR

PRICE ADJUSTMENTS

COST PASS THROUGH SAME AS PHASE II

COST REACHBACK LAST PRICE INCREASE PRIOR  
TO JANUARY 11, 1973

PROFIT MARGIN BEST 2 OF FISCAL YEARS COM-  
PLETED AFTER AUGUST 15, 1968

BASE PRICE SAME AS PHASE II

PROCEDURES AND COVERAGE

PRENOTIFICATION AFTER MAY 2, 1973 REQUIRED  
OF ALL FIRMS OVER \$250M  
ANNUAL SALES WHICH HAD  
IMPLEMENTED PRICE INCREASES  
WHICH RESULTED IN WAPI EXCE-  
EDING 1.5; 30 DAYS BEFORE  
IMPLEMENTATION

EXCEPTIONS CRITERIA SELF-EXECUTING BASED ON  
PHASE II REGULATIONS

REPORTING QUARTERLY FOR FIRMS WITH  
ANNUAL SALES OR REVENUES  
OF \$250M OR MORE

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SMALL FIRM EXEMPTION SAME AS PHASE II

OTHER SECTORS

FOOD SPECIAL REGULATIONS  
PETROLEUM SPECIAL REGULATIONS  
INSURANCE SUBJECT TO GENERAL PRICE  
STANDARD  
PUBLIC UTILITIES SPECIAL CRITERIA  
HEALTH SPECIAL REGULATIONS  
RENT EXEMPT

COMPARISON OF PHASES

PHASE IV

INDUSTRIAL SECTOR  
PRICE ADJUSTMENTS

COST PASS THROUGH      DOLLAR PASS THROUGH ONLY NO  
MARGIN MAINTENANCE

COST REACHBACK      BASE COST PERIOD (LAST  
FISCAL QUARTER BEFORE  
JANUARY 11, 1973)

PROFIT MARGIN      SAME AS PHASE III

BASE PRICE      AVERAGE PRICE FOR LAST  
FISCAL QUARTER BEFORE  
JANUARY 11, 1973

PROCEDURES AND COVERAGE

PRENOTIFICATION      REQUIRED OF ALL FIRMS OVER  
\$100M 30 DAYS BEFORE IMPLE-  
MENTATION; MAY BE EFFECTED  
UNLESS CLC SUSPENDS, DENIES,

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OR CUTS BACK. RIGHT RE-  
SERVED TO REEXAMINE PRICE  
INCREASES PLACED INTO  
EFFECT.

EXCEPTIONS CRITERIA      GROSS HARDSHIP OR INEQUITY  
WITH CONSIDERATION FOR  
ECONOMIC DISRUPTION.

REPORTING      QUARTERLY FOR FIRMS OVER  
\$50M; ANNUAL FOR NON-EXEMPT  
FIRMS LESS THAN \$50M.

SMALL FIRM EXEMPTION      SAME AS PHASE II, WITH UP-  
DATED COMPUTATION

OTHER SECTORS

FOOD      NEW SPECIAL REGULATIONS --  
TWO STAGE IMPLEMENTATION

PETROLEUM      NEW SPECIAL REGULATIONS  
INSURANCE      REVISED SPECIAL REGULATIONS

PUBLIC UTILITIES      EXEMPT

HEALTH      SAME AS PHASE III UNTIL HAC  
DEVELOPS REVISIONS

RENT      EXEMPT

END QUOTE

TEXT OF PRESIDENT'S MESSAGE ON PHASE IV WILL BE SENT  
SEPARATELY. RUSH

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<< END OF DOCUMENT >>



## Message Attributes

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